



ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

21 October 6, 2015

Los Angeles County
Board of Supervisors

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Fifth District

October 06, 2015


PATRICK OGAWA
ACTING EXECUTIVE OFFICER

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**REQUEST FOR DELEGATED AUTHORITY TO EXECUTE AGREEMENTS
FOR SUPPLEMENTAL MEDI-CAL MANAGED CARE PAYMENTS
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval and delegation of authority to the Los Angeles County Department of Health Services to execute agreements with the California Department of Health Care Services to make two kinds of intergovernmental transfers that would fund supplemental Medi-Cal managed care rate increases and to pay the State for administering the program, and to execute amendments to the existing agreement with the Local Initiative Health Authority for Los Angeles County to specify the terms related to the pass-through of the additional payments received as a result of the intergovernmental transfers to the California Department of Health Services.

IT IS RECOMMENDED THAT THE BOARD:

Delegate authority to the Director of Health Services, or his designee, to prepare and execute, on behalf of the County of Los Angeles, the following two agreements and one amendment, for supplemental for "rate range" payments related to the October 1, 2013 through June 30, 2014 service period, and one superseding agreement and one amendment related the "S.B. 208" payments for the service period October 1, 2013 through June 30, 2014, subject to review and approval by County Counsel and written notification to the Chief Executive Office and to the Board when the final agreements are executed:

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
Fax: (213) 481-0503

www.dhs.lacounty.gov

To ensure access to high-quality, patient-centered, cost-effective health care to Los Angeles County residents through direct services at DHS facilities and through collaboration with community and university partners.



www.dhs.lacounty.gov

1. An agreement with California Department of Health Care Services (DHCS) under which the County of Los Angeles will make an intergovernmental transfer (IGT) of approximately \$43.8 million to fund the non-federal share of "rate range" Medi-Cal managed supplemental payments to Local Initiative Health Authority for Los Angeles County, doing business as L.A. Care Health Plan (L.A. Care), which will be passed on to Los Angeles County Department of Health Services (DHS).
2. An agreement with DHCS which provides for the County of Los Angeles to pay a fee equal to twenty percent of the IGT amount for the supplemental rate range payments to compensate DHCS for administering the program under which the supplemental payments are made.
3. A superseding agreement with DHCS under which the County of Los Angeles will make a \$66.6 million IGT, which equates an \$18.4 million increase from the agreement to be superseded to fund the non-federal share of supplemental Medi-Cal managed care payments to L.A. Care in connection with services to seniors and persons with disabilities, pursuant to Welfare and Institutions Code section 14182.15 (S.B. 208), which will be passed on to DHS.
4. An amendment to the existing Participating Provider Agreement with L.A. Care allowing L.A. Care to make additional "rate range" related payments to DHS of approximately \$90.1 million, funded through the IGT discussed in item 1 above.
5. An amendment to the existing Participating Provider Agreement, which replaces the obligations under the prior Participating Provider Agreement with L.A. Care allowing it to pay the supplemental S.B. 208 related payments to DHS, in the amount of approximately \$103.6 million, which equates to a \$36.8 million increase from the previous agreement, funded by the IGT, discussed in item 3 above.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Starting with the October 1, 2006 service period, the State and federal governments have approved a County-developed program to use IGTs to draw down federal revenues to fund rate range related payments under Medi-Cal managed care to DHS facilities. Under this program, which has recently been authorized for the service period October 1, 2013 through June 30, 2014, L.A. Care receives higher capitation rates, the non-federal share of which is funded by County IGTs. L.A. Care will then pass on those additional payments, which include both local and federal matching funds, to the DHS providers. To participate in this program, the County must pay DHCS a 20 percent administrative fee.

A similar program for the same service period was authorized by S.B. 208, which is codified at Welfare and Institutions Code section 14182.15, although in that case, the additional Medi-Cal payments are used to assure that certain public entities can cover their costs of providing services to seniors and persons with disabilities. DHCS does not, however, receive an administrative fee for managing the S.B. 208 program. On April 22, 2014, the Board had authorized DHS to enter into an agreement with DHCS to make an IGT of \$48.3 million related to the October 1, 2013 through June

30, 2014 rate period, and an amendment to the then existing L.A. Care Agreement, to provide for the pass through of approximately \$66.8 million in related managed care payments.

The recommended actions are designed to obtain delegated authority to enter into the agreements or amendments necessary to implement the rate range program for this period and to increase the amounts under the S.B. 208 program. Item one is an agreement, substantially similar to Exhibit I, with DHCS which allows the County to make, and DHCS to accept and utilize, an IGT which is used to fund higher capitation rates for services to L.A. Care enrollees for the service period of October 1, 2013 through June 30, 2014. To the extent DHCS does not use all the IGT funds to make supplemental payments to L.A. Care, the unused money will be returned to the County.

Item 2 is an agreement, substantially similar to Exhibit II, with DHCS which provides for DHS to pay DHCS a 20% administrative fee that is assessed on the full amount of the rate range IGT. Payment of this administrative fee by entities wishing to participate in the rate range program is required by Welfare & Institutions Code section 14301.4.

Item 3 is a superseding agreement with DHCS, substantially similar to Exhibit III, under which the County agrees to make an IGT and DHCS agrees to accept the IGT and use it to fund supplemental capitation payments to L.A. Care as part of the S.B. 208 program.

Items 4 and 5 are amendments to the existing Provider Participation Agreement between L.A. Care and DHS, which are necessary to set the terms and conditions under which L.A. Care will pass on to the DHS providers the IGT-funded supplemental payments it receives under the rate range and S.B. 208 programs.

The Centers for Medicare and Medicaid Services (CMS) must approve all Medi-Cal managed care rate increases and review all relevant documentation. Although CMS has approved the template that formed the basis for the draft agreements attached to this letter, it has not given final approval. Accordingly, additional changes may be required by CMS. In the unlikely event that CMS requires material changes, we shall return to the Board to request a new delegation of authority. Otherwise, we shall notify the Board when the agreements/amendments are fully executed.

Implementation of Strategic Plan Goals

The recommended action(s) support Goal 1, Operational Effectiveness/Fiscal Sustainability of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

Under the recommended actions, DHS will make IGT payments to DHCS of approximately \$43.8 million for the rate range program and an additional \$18.4 million for the S.B. 208 program and will receive, for these programs, payments from L.A. Care of approximately \$90.1 million for the rate range program and \$36.8 million for the S.B. 208 program, for a total of \$126.9 million dollars for services provided to Medi-Cal enrollees during the service period October 1, 2013 to June 30, 2014. (These amounts are in addition to the \$66.8 million previously authorized.) In addition, it will allow DHS to pay DHCS administrative fees of approximately \$8.8 million. The net payments after IGTs and administrative fees will be approximately \$55.9 million. L.A. Care is permitted to retain the amounts necessary to pay the Medi-Cal Managed Care Seller's taxes imposed on the additional capitation payments that will be made to the health plan, which reduces the amount that will be

returned to DHS.

The payments received from L.A. Care under both the rate range and S.B. 208 programs must be used by the DHS facilities to which they are allocated to pay for health care services; no part of such payments may be distributed to the County's general fund or used by other County entities. Funding for the IGTs and the associated revenues have been accounted for in DHS' Fiscal Year 2014-15 Closing Estimates.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Since August 19, 2008, the Board has authorized DHS to execute similar agreements with DHCS to make IGTs and have the State make supplemental managed care payments to L.A. Care, under the rate range program. Those agreements covered federal fiscal year (FFY) 2006-07 through FFY 2012-13. The concept is that the State must pay actuarially sound capitation rates for Medi-Cal managed care services, and that allowable rates fall into a range. The "rate range" IGT provides the non-federal share necessary to take the payments made to L.A. Care from the lower end of the range to the higher end of actuarially sound amounts.

In 2010 the Legislature passed S.B. 208, which allows public entities to provide the non-federal share of supplemental payments that are designed to assure that designated public hospitals and their affiliated providers receive the same amount under Medi-Cal managed care for seniors and persons with disabilities as they would under fee-for-service Medi-Cal. On April 16, 2013, April 22, 2014, and on September 16, 2014, the Board authorized the County's participation in this program for earlier service periods, as well as for the October 1, 2013 through June 30, 2014 service periods and approved the necessary appropriation adjustment to fund the IGTs. The agreement with DHCS and the amendment to the L.A. Care agreement recommended here would change the amount of funding and revenue related to the County's participation in the S.B. 208 program for the October 1, 2013 through June 30, 2014 service period.

Both the rate range and the S.B. 208 agreements with DHCS require DHS to certify that the transferred funds qualify for federal financial participation, and do not constitute improper "recycling" of Medicaid funds. Both provide that any IGT funds that cannot be used to provide increased capitation payments to L.A. Care will be returned to DHS.

The County does not receive managed care payments directly from the State; rather, DHCS contracts with L.A. Care, which then subcontracts for services with various provider networks, including DHS providers. Accordingly, in order to receive the benefit of the IGT-funded payments, DHS must execute an amendment to its agreement with L.A. Care. This amendment stipulates that the health plan will pay to DHS the full amount of the IGT-funded supplemental payments it receives, except for the amounts necessary to pay the Medi-Cal Managed Care Seller's tax imposed on the supplemental capitation payments that DHCS will make to L.A. Care.

The amendments contain indemnification language requiring DHS to hold L.A. Care harmless for any losses it incurs as a result of the receipt of IGT-funded supplemental payments under both the rate range and S.B. 208 programs. Further, as consideration for the amendment to its agreement with L.A. Care for the S.B. 208 program, DHS has agreed not to exercise its right to terminate the contract before December 31, 2015, and has also agreed to continue to make certain services available. As consideration for the rate range program, DHS has agreed not to terminate its agreement for an additional month beyond December 31, 2015.

DHCS has imposed a short time frame for the completion of these payments. To meet that time

frame and to expedite receipt of these supplemental funds, DHS is requesting delegation of authority from the Board to execute the DHCS and L.A. Care agreements and amendments.

CONTRACTING PROCESS

Advertising on the County's Online Website is not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on current services as a result of this authorization. However, approval of this action will allow DHS to increase federal revenue sources and meet revenue projections included in the DHS Fiscal Outlook.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is fluid and cursive, with the first name "Mitchell" written in a larger, more prominent script than the last name "Katz".

Mitchell H. Katz, M.D.
Director

MHK:hr

Enclosures

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

**INTERGOVERNMENTAL AGREEMENT REGARDING
TRANSFER OF PUBLIC FUNDS**

This Agreement is entered into between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES (“DHCS”) and the County of Los Angeles with respect to the matters set forth below.

RECITALS

- A. This Agreement is made pursuant to the authority of Welfare & Institutions Code, section 14164 and 14301.4.
- B. The Local Initiative Health Authority for Los Angeles County doing business as L.A. Care Health Plan (“L.A. Care”) is a local governmental authority formed pursuant to Welfare and Institutions Code sections 14087.38(b) and 14087.9605. L.A. Care is a party to a Medi-Cal managed care contract with DHCS, entered into pursuant to Welfare and Institutions Code section 14087.3, under which L.A. Care arranges and pays for the provision of covered Medi-Cal health care services to eligible Medi-Cal members residing in the County.

THEREFORE, the parties agree as follows:

AGREEMENT

1. Transfer of Public Funds

1.1 The County of Los Angeles shall transfer funds to DHCS pursuant to section 14164 and 14301.4 of the Welfare and Institutions Code, up to a maximum total amount of Forty-Three Million, Seven Hundred Fifty-Two Thousand, Three Hundred Thirteen Dollars (\$43,752,313), to be used solely as a portion of the nonfederal share of actuarially sound Medi-Cal managed care capitation rate increases for L.A. Care for the period October 1, 2013 through June 30, 2014 as described in section 2.2 below. The funds shall be transferred in accordance with a mutually agreed upon schedule between the County of Los Angeles and DHCS, in the amounts specified therein.

1.2 The County of Los Angeles shall certify that the funds transferred qualify for federal financial participation pursuant to 42 C.F.R. part 433 subpart B, and are not derived from impermissible sources such as recycled Medicaid payments, federal money excluded from use as State match, impermissible taxes, and non-bona fide provider-related donations. For transferring units of government that are also direct service providers, impermissible sources do not include patient care or other revenue received from programs such as Medicare or Medicaid to the extent that the program revenue is not obligated to the State as the source of funding.

2. Acceptance and Use of Transferred Funds by DHCS

2.1 DHCS shall exercise its authority under section 14164 of the Welfare and Institutions Code to accept funds transferred by the County of Los Angeles pursuant to this Agreement as intergovernmental transfers (“IGTs”), to use for the purpose set forth in section 2.2 below.

2.2 The funds transferred by the County of Los Angeles pursuant to this Agreement shall be used to fund a portion of the nonfederal share of increases in Medi-Cal managed care actuarially sound capitation rates described in paragraph (4) of subdivision (b) of section 14301.4 of the Welfare and Institutions Code and shall be paid, together with the related federal financial participation, by DHCS to L.A. Care as part of L.A. Care’s capitation rates for the period October 1, 2013 through June 30, 2014. The rate increases paid under section 2.2 shall be used for payments related to Medi-Cal services rendered to Medi-Cal beneficiaries. The rate increases paid under this section 2.2 shall be in addition to, and shall not replace or supplant, all other amounts paid or payable by DHCS or other State agencies to L.A. Care.

2.3 DHCS shall seek federal financial participation for the rate increases specified in section 2.2 to the full extent permitted by federal law.

2.4 The parties acknowledge the State DHCS will obtain any necessary approvals from the Centers for Medicare and Medicaid Services prior to the payment of any rate increase pursuant to section 2.2.

2.5 The parties agree that none of these funds, either County of Los Angeles or federal matching funds will be recycled back to the County of Los Angeles's general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Agreement and their provider agreement constitute patient care revenues.

2.6 Within One Hundred Twenty (120) calendar days of the execution of this Agreement, DHCS shall advise the County of Los Angeles and L.A. Care of the amount of the Medi-Cal managed care capitation rate increases that DHCS paid to L.A. Care during the applicable rate year involving any funding under the terms of this Agreement.

2.7 If any portion of the funds transferred by the County of Los Angeles pursuant to this Agreement is not expended for the specified rate increases under Section 2.2, DHCS shall return the unexpended funds to the County of Los Angeles.

3. Amendments

3.1 No amendment or modification to this Agreement shall be binding on either party unless made in writing and executed by both parties.

3.2 The parties shall negotiate in good faith to amend this Agreement as necessary and appropriate to implement the requirements set forth in section 2 of this Agreement.

4. Notices. Any and all notices required, permitted or desired to be given hereunder by one party to the other shall be in writing and shall be delivered to the other party personally or by United States first class, certified or registered mail with postage prepaid, addressed to the other party at the address set forth below:

To the County of Los Angeles:

Allan Wecker
Chief Financial Officer
County of Los Angeles
313 N. Figueroa Street, Suite 907
Los Angeles, CA 90012

With copies to:

Anita D. Lee
Principal Deputy County Counsel
Office of the County Counsel
500 W. Temple Street
Los Angeles, CA 90012

To DHCS:

Sandra Dixon
California Department of Health Care Services
Capitated Rates Development Division
1501 Capitol Ave., Suite 71-4002
MS 4413
Sacramento, CA 95814

5. Other Provisions

5.1 This Agreement contains the entire Agreement between the parties with respect to the Medi-Cal rate increases for L.A. Care described in section 2.2 that are funded by the County of Los Angeles and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements between the County of Los Angeles and DHCS. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. One or more other agreements already exist between the parties regarding such other matters, and other agreements may be entered into in the future. This Agreement shall not modify the terms of any other agreement between the parties.

5.2 The nonenforcement or other waiver of any provision of this Agreement shall not be construed as a continuing waiver or as a waiver of any other provision of this Agreement.

5.3 Section 2 of this Agreement shall survive the expiration or termination of this Agreement.

5.4 Nothing in this Agreement is intended to confer any rights or remedies on any third party, including, without limitation, any provider(s) or groups of providers, or any right to medical services for any individual(s) or groups of individuals; accordingly, there shall be no third party beneficiary of this Agreement.

5.5 Time is of the essence in this Agreement.

5.6 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so.

6. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify the DHCS' powers, authorities, and duties under federal and state law and regulations.

7. Approval. This Agreement is of no force and effect until signed by the parties.

8. Term. This Agreement shall be effective as of October 1, 2013 and shall expire as of June 30, 2016 unless terminated earlier by mutual agreement of the parties.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date of the last signature below.

THE COUNTY OF LOS ANGELES

By: _____

Date: _____

Mitchell H. Katz, M.D.

Director, Department of Health Services

THE STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: _____

Date: _____

Jennifer Lopez, Acting Division Chief, Capitated Rates Development Division

INTERGOVERNMENTAL TRANSFER ASSESSMENT FEE

This Agreement is entered into between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES (“State DHCS”) and the County of Los Angeles (“the County”) with respect to the matters set forth below.

RECITALS

A. This Agreement is made pursuant to the authority of Welfare & Institutions Code, section 14301.4.

THEREFORE, the parties agree as follows:

AGREEMENT

1. Transfer of Public Funds

1.1 The County shall make Intergovernmental Transfer(s) (“IGTs”) to State DHCS pursuant to section 14164 of the Welfare and Institutions Code and paragraph 1.1 of the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds contract number 13-90635, to be used as a portion of the non-federal share of actuarially sound Medi-Cal managed care rate range capitation increases (“non-federal share IGT”) to the Local Initiative Health Authority for Los Angeles County, doing business as L.A. Care Health Plan (“L.A. Care”) for the period of October 1, 2013 through June 30, 2014.

1.2 The parties acknowledge that State DHCS will obtain any necessary approvals from the Centers for Medicare and Medicaid Services (“CMS”) pertaining to the acceptance of non-federal share IGTs and the payment of non-federal share IGT related rate range capitation increases to L.A. Care.

2. Intergovernmental Transfer Assessment Fee

2.1 The State DHCS shall, upon acceptance of non-federal share IGTs pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1 of this Agreement, exercise its authority under section 14301.4 of the Welfare and Institutions Code to assess a 20-percent assessment fee on the entire amount of the non-federal share IGTs to reimburse State DHCS for the administrative costs of operating the IGT program pursuant to this section and for the support of the Medi-Cal program.

2.2 The funds subject to the 20-percent assessment fee shall be limited to non-federal share IGTs made by the transferring entity, the County, pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1 of this Agreement.

2.3 The 20-percent fee will be assessed on the entire amount of the non-federal share IGTs pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1 of this Agreement, and will be made in addition to, and transferred separately from, the transfer of funds pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds.

2.4 The 20-percent assessment fee pursuant to this Agreement is non-refundable and shall be wired to State DHCS separately from, and simultaneous to, the non-federal share IGTs pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1 of this Agreement. However, if any portion of the non-federal share IGTs is not expended for the specified rate increases stated in paragraph 2.2 of the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, DHCS shall return a proportionate amount of the 20-percent assessment fee to the County.

3. Other Provisions

3.1 This Agreement contains the entire Agreement between the parties with respect to the 20-percent assessment fee on non-federal share IGTs pursuant to the Intergovernmental Agreement(s) Regarding the Transfer of Public Funds, and as described in paragraph 1, and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements between the transferring entity and State DHCS. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. One or more other agreements may exist between the parties regarding such other matters, and other agreements may be entered into in the future. This Agreement shall not modify the terms of any other agreement between the parties.

3.2 Time is of the essence in this Agreement.

3.3 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so.

4. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify State DHCS' powers, authorities, and duties under federal and state law and regulations.

5. Approval. This Agreement is of no force and effect until signed by the parties.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date of the last signature below.

THE COUNTY OF LOS ANGELES:

By: _____

Date: _____

Mitchell H. Katz, M.D.

Director, Department of Health Services

THE STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: _____

Date: _____

Jennifer Lopez, Acting Division Chief, Capitated Rates Development Division

**INTERGOVERNMENTAL AGREEMENT REGARDING
TRANSFER OF PUBLIC FUNDS**

This Agreement is entered into between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES ("DHCS") and the COUNTY OF LOS ANGELES (the "Governmental Funding Entity") with respect to the matters set forth below.

RECITALS

A. This Agreement is made pursuant to the authority of Section 14182.15 of Chapter 7 of Part 3 of Division 9 of the Welfare & Institutions Code.

B. The Local Initiative Health Authority of Los Angeles County doing business as L.A. Care Health Plan ("L.A. Care") is a local governmental authority formed pursuant to Welfare and Institutions Code Sections 14087.38(b) and 14087.9605. Health Net Community Solutions, Inc. ("Health Net") is a health plan licensed pursuant to Health and Safety Code Section 1379. L.A. Care and Health Net are parties to Medi-Cal managed care contracts with DHCS, entered into pursuant to Welfare and Institutions Code Section 14087.3, under which L.A. Care and Health Net arrange and pay for the provision of covered Medi-Cal health care services to eligible Medi-Cal members residing in the County.

THEREFORE, the parties agree as follows:

AGREEMENT

1. Transfer of Public Funds

1.1 The Governmental Funding Entity shall transfer funds to DHCS pursuant to Section 14182.15 of the Welfare and Institutions Code, up to a maximum total amount of Sixty-six Million, Six Hundred Forty-three Thousand, Seven Hundred Eighty dollars (\$66,643,780), to be used solely as a portion of the nonfederal share of actuarially sound Medi-

Cal managed care capitation rates for L.A. Care and Health Net for the period October 1, 2013 through June 30, 2014 as described in paragraph 2.2 below. The funds shall be transferred in accordance with a mutually agreed upon schedule between the Governmental Funding Entity and DHCS, in the amounts and components specified therein.

1.2 The Governmental Funding Entity shall certify that the funds transferred qualify for federal financial participation pursuant to 42 C.F.R. part 433 subpart B, and are not derived from impermissible sources such as recycled Medicaid payments, federal money excluded from use as State match, impermissible taxes, and non-bona fide provider-related donations. For transferring units of government that are also direct service providers, impermissible sources do not include patient care or other revenue received from programs such as Medicare or Medicaid to the extent that the program revenue is not obligated to the State as the source of funding.

2. Acceptance and Use of Transferred Funds by DHCS

2.1 DHCS shall exercise its authority under Section 14182.15 of the Welfare and Institutions Code to accept funds transferred by the Governmental Funding Entity pursuant to this Agreement as intergovernmental transfers (IGTs), to use for the purpose set forth in paragraph 2.2 below.

2.2 The funds transferred by the Governmental Funding Entity pursuant to this Agreement shall be used to fund a portion of the nonfederal share of Medi-Cal managed care actuarially sound capitation rates described in subdivision (b) and (c) of Section 14182.15 of the Welfare and Institutions Code and shall be paid, together with the related federal financial participation, by DHCS to L.A. Care and Health Net as part of L.A. Care and Health Net's capitation rates for the period October 1, 2013 through June 30, 2014. To the extent that DHCS

has made and documented such expenditures, or portion thereof, prior to the necessary funds being transferred by the Governmental Funding Entity, the appropriate amount of subsequently transferred funds shall be deemed to have been used in accordance with the requirements of this paragraph 2.2. The capitation rate amounts paid under this paragraph shall be used for payments related to Medi-Cal services rendered to Medi-Cal beneficiaries. The rate amounts paid under this paragraph shall be in addition to, and shall not replace or supplant, all other amounts paid or payable by DHCS or other State agencies to L.A. Care or Health Net.

2.3 DHCS shall seek federal financial participation for the rate amounts specified in paragraph 2.2 to the full extent permitted by federal law.

2.4 The parties acknowledge that State DHCS will obtain any necessary approvals from the Centers for Medicare and Medicaid Services (CMS) prior to the payment of any rate amounts pursuant to paragraph 2.2.

2.5 The parties agree that none of these funds, from either Governmental Funding Entity or federal matching funds will be recycled back to the Governmental Funding Entity's general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Agreement and their provider agreement constitute patient care revenues.

2.6 Within One Hundred Twenty (120) calendar days of the execution of this Agreement, and every quarter as applicable thereafter, DHCS shall advise the Governmental Funding Entity, L.A. Care, and Health Net of the amount of the Medi-Cal managed care capitation rate amounts that DHCS paid to L.A. Care and Health Net during the applicable rate period specified in paragraph 2.2 involving any funding under the terms of this Agreement.

2.7 If any portion of the funds transferred by the Governmental Funding Entity pursuant to this Agreement is not expended by DHCS for the specified rate amounts under paragraph 2.2, DHCS shall return the unexpended funds to the Governmental Funding Entity.

3. Amendments

3.1 No amendment or modification to this Agreement shall be binding on either party unless made in writing and executed by both parties.

3.2 The parties shall negotiate in good faith to amend this Agreement as necessary and appropriate to implement the requirements set forth in paragraph 2 of this Agreement.

4. Notices. Any and all notices required, permitted or desired to be given hereunder by one party to the other shall be in writing and shall be delivered to the other party personally or by United States first class, certified or registered mail with postage prepaid, addressed to the other party at the address set forth below:

To the Governmental Funding Entity:

Allan Wecker, Chief Financial Officer
County of Los Angeles
Department of Health Services
313 North Figueroa Street, Room 907
Los Angeles, California 90012

With copies to:

Anita D. Lee, Principal Deputy County Counsel
County of Los Angeles
Office of the County Counsel
648 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

To DHCS:

Sandra Dixon
California Department of Health Care Services
Capitated Rates Development Division
1501 Capitol Ave., Suite 71-4002
P.O. Box 997413
MS 4413
Sacramento, CA 95899-7413

5. Other Provisions

5.1 This Agreement contains the entire Agreement between the parties with respect to the Medi-Cal rate amounts for L.A. Care and Health Net described in paragraph 2.2 that are funded by the Governmental Funding Entity pursuant to paragraph (2) of subdivision (d) of Section 14182.15 of the Welfare and Institutions Code, and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements regarding such transferred funds between the Governmental Funding Entity and DHCS. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. One or more other agreements already exist between the parties regarding such other matters, and other agreements may be entered into in the future. This Agreement shall not modify the terms of any other agreement between the parties.

5.2 The non-enforcement or other waiver of any provision of this Agreement shall not be construed as a continuing waiver or as a waiver of any other provision of this Agreement.

5.3 Paragraph 2 of this Agreement shall survive the expiration or termination of this Agreement.

5.4 Nothing in this Agreement is intended to confer any rights or remedies on any third party, including, without limitation, any provider(s) or groups of providers, or any right to medical services for any individual(s) or groups of individuals; accordingly, there shall be no third party beneficiary of this Agreement.

5.5 Time is of the essence in this Agreement.

5.6 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so.

6. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify the DHCS' powers, authorities, and duties under federal and state law and regulations.

7. Approval. This Agreement is of no force and effect until signed by the parties.

8. Term. This Agreement shall be effective as of October 1, 2013 and shall expire as of June 30, 2016 unless terminated earlier by mutual agreement of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date of the last signature below.

THE COUNTY OF LOS ANGELES:

By: _____
Mitchell H. Katz, M.D., Director
Department of Health Services

Date: _____

THE STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: _____
Jennifer Lopez, Acting Division Chief
Capitated Rates Development Division

Date: _____

HEALTH PLAN-PROVIDER AGREEMENT
CAPITATION AGREEMENT FOR THE PROVISION OF HEALTH CARE SERVICES BY
COUNTY

AMENDMENT No. 3

This Amendment is made this ____ day of _____ {month/year/, by and the Local Initiative Health Authority for Los Angeles County, doing business as L.A. Care Health Plan, a local governmental agency hereinafter referred to as "PLAN", and the COUNTY OF LOS ANGELES, through its DEPARTMENT OF HEALTH SERVICES, hereinafter referred to as "PROVIDER".

RECITALS:

WHEREAS, PLAN and PROVIDER have previously entered into an Agreement effective April 1, 2015;

WHEREAS, Section 6.2 of such Agreement provides for amending such Agreement;

WHEREAS, PLAN has been designated as Los Angeles County's locally created health care service plan by the Los Angeles County Board of Supervisors. It is a public entity created pursuant to Welfare and Institutions Code Sections 14087.38(b) and 14087.9605 and Los Angeles County resolution and ordinance. PLAN is licensed by the Department of Managed Health Care as a health care service plan under the California Knox Keene Act (Health and Safety Code Sections 1340 et seq.). In the body of the Agreement, PLAN is known as "Healthplan;" however, for purposes of this Amendment, it shall be designated as PLAN.

WHEREAS, PROVIDER operates licensed general acute care hospitals and freestanding clinics which provide care to Medi-Cal beneficiaries and other residents of Los Angeles County. In the body of its Agreement, PROVIDER is referred to as "DHS;" however, for purposes of this amendment, it shall be designated as described above. Further, depending on context, the word "PROVIDER", as used in this document, may refer to the facilities owned and operated by the County. PROVIDER and PLAN have entered into an Agreement under which PROVIDER arranges for the provision of services to certain Medi-Cal managed care enrollees.

WHEREAS, PLAN and PROVIDER desire to amend the Agreement to provide for Medi-Cal managed care capitation rate increases to PLAN as a result of intergovernmental transfers ("IGTs") from County of Los Angeles to the California Department of Health Care Services ("State DHCS") to maintain the availability of Medi-Cal health care services to Medi-Cal beneficiaries.

NOW, THEREFORE, PLAN and PROVIDER hereby agree as follows:

IGT MEDI-CAL MANAGED CARE CAPITATION RATE RANGE INCREASES

1. IGT Capitation Rate Range Increases to PLAN

A. Payment

Should PLAN receive any Medi-Cal managed care capitation rate increases from State DHCS where the nonfederal share is funded by the County of Los Angeles specifically pursuant to the provisions of the Intergovernmental Agreement Regarding Transfer of Public Funds (“Intergovernmental Agreement”) effective for the period October 1, 2013 through June 30, 2014 for Intergovernmental Transfer Medi-Cal Managed Care Rate Range Increases (“IGT MMCRRIs”), PLAN shall pay to PROVIDER the amount of the IGT MMCRRIs received from State DHCS, in accordance with paragraph 1.E below regarding the form and timing of Local Medi-Cal Managed Care Rate Range (“LMMCRR”) IGT Payments. LMMCRR IGT Payments paid to PROVIDER shall not replace or supplant any other amounts paid or payable to PROVIDER by PLAN.

B. Health Plan Retention

(1) Medi-Cal Managed Care Seller’s Tax

The PLAN shall be responsible for any Medi-Cal Managed Care Seller’s (“MMCS”) tax due pursuant to the Revenue and Taxation Code Section 6175 relating to any IGT MMCRRIs through June 30, 2014. If the PLAN receives any capitation rate increases for MMCS taxes based on the IGT MMCRRIs, PLAN may retain an amount equal to the amount of such MMCS tax that PLAN is required to pay to the State Board of Equalization, and shall pay, as part of the LMMCRR IGT Payments, the remaining amount of the capitation rate increase to PROVIDER.

(2) PLAN will not retain any other portion of the IGT MMCRRIs received from the State DHCS other than those mentioned above.

C. Conditions for Receiving Local Medi-Cal Managed Care Rate Range IGT Payments

In addition to all other rights and obligations imposed on PROVIDER by the Agreement, the parties agree that as a condition for receiving LMMCRR IGT Payments, PROVIDER shall:

(1) Not exercise its rights to terminate the Hospital Services Agreement or the Participating Provider Agreement which currently exist between the parties and call for the provision of health care services by County of Los Angeles facilities to PLAN’s Medi-Cal enrollees, prior to January 31, 2016.

(2) Subject to the requirements in paragraph 1.F below, PROVIDER agrees to assign the funds received pursuant to this Agreement among the services set forth below in accordance with the proportions or amounts set by PLAN. These proportions or amounts will be

determined by PLAN to represent a reasonable allocation of funds among the rendering providers. The service categories are:

- (a) Inpatient and Outpatient Facility Services
- (b) Physician/Practitioner Services
- (c) Freestanding Clinic Facility Services

(3) PROVIDER and PLAN agree that they shall perform all obligations and honor all rights under this Agreement until they are fully performed or utilized, irrespective of the Section 2 below.

D. Schedule and Notice of Transfer of Non-Federal Funds

PROVIDER shall notify PLAN within five (5) days of the date of the transfer of funds to State DHCS pursuant to the Intergovernmental Agreement.

E. Form and Timing of Payments

PLAN agrees to pay LMMCRR IGT Payments to PROVIDER in the following form and according to the following schedule:

(1) PLAN agrees to pay the LMMCRR IGT Payments to PROVIDER using the same mechanism through which compensation and payments are normally paid to PROVIDER (e.g., electronic transfer).

(2) PLAN will pay the LMMCRR IGT Payments to PROVIDER no later than thirty (30) calendar days after receipt of the IGT MMCRRIs from State DHCS.

F. Consideration

(1) As consideration for the LMMCRR IGT Payments, PROVIDER shall use the LMMCRR IGT Payments for the following purposes and shall treat the LMMCRR IGT Payments in the following manner:

(a) The LMMCRR IGT Payments shall represent compensation for Medi-Cal services rendered to Medi-Cal PLAN members by PROVIDER during the State fiscal year to which the LMMCRR IGT Payments apply.

(b) To the extent that total payments received by PROVIDER for any State fiscal year under this Amendment exceed the cost of Medi-Cal services provided to Medi-Cal beneficiaries by PROVIDER during that fiscal year, any remaining LMMCRR IGT Payment amounts shall be retained by PROVIDER to be expended for health care services. Retained LMMCRR IGT Payment amounts may be used by the PROVIDER in either the State fiscal year for which the payments are received or subsequent State fiscal years.

(2) For purposes of subsection (1) (b) above, if the retained LMMCRR IGT Payments, if any, are not used by PROVIDER in the State fiscal year received, retention of funds by PROVIDER will be established by demonstrating that the retained earnings account of PROVIDER at the end of any State fiscal year in which it received payments based on LMMCRR IGT Payments funded pursuant to the Intergovernmental Agreement, has increased over the unspent portion of the prior State fiscal year's balance by the amount of LMMCRR IGT Payments received, but not used. These retained PROVIDER funds may be commingled with other County of Los Angeles funds for cash management purposes, provided that such funds are appropriately tracked and only the depositing facility is authorized to expend them.

(3) Both parties agree that none of these funds, either from the County of Los Angeles or federal matching funds will be recycled back to the County of Los Angeles' general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Amendment constitute patient care revenues.

G. PLAN's Oversight Responsibilities

PLAN's oversight responsibilities regarding PROVIDER's use of the LMMCRR IGT Payments shall be limited as described in this paragraph. PLAN shall request, within thirty (30) calendar days after the end of each State fiscal year in which LMMCRR IGT Payments were transferred to PROVIDER, a written confirmation that states whether and how PROVIDER complied with the provisions set forth in Paragraph 1.F above. In each instance, PROVIDER shall provide PLAN with written confirmation of compliance within thirty (30) calendar days of PLAN's request.

H. Cooperation Among Parties

Should disputes or disagreements arise regarding the ultimate computation or appropriateness of any aspect of the LMMCRR IGT Payments, PROVIDER and PLAN agree to work together in all respects to support and preserve the LMMCRR IGT Payments to the full extent possible on behalf of the safety net in Los Angeles County.

I. Reconciliation

Within one hundred twenty (120) calendar days after the end of each of PLAN's fiscal years in which LMMCRR IGT Payments were made to PROVIDER, PLAN shall perform a reconciliation of the LMMCRR IGT Payments transmitted to the PROVIDER during the preceding fiscal year to ensure that the supporting amount of IGT MMCRRIs were received by PLAN from State DHCS. PROVIDER agrees to return to PLAN any overpayment of LMMCRR IGT Payments made in error to PROVIDER within thirty (30) calendar days after receipt from PLAN of a written notice of the overpayment error, unless PROVIDER submits a written objection to PLAN. Any such objection shall be resolved in accordance with the dispute resolution processes set forth in Section 6.3 of the Agreement. The reconciliation processes established under this paragraph are distinct from the indemnification provisions set forth in Section J below. PLAN agrees to transmit to the PROVIDER any underpayment of LMMCRR IGT Payments within thirty (30) calendar days of PLAN's identification of such underpayment.

J. Indemnification

(1) Irrespective of any obligation contained in Section 6.4 to the Agreement, PROVIDER shall indemnify and hold PLAN harmless against any losses, claims, demands, liabilities, court costs, judgments and expenses, imposed by a court or otherwise incurred by PLAN after the execution date of this Amendment as a result of PLAN's receipt of IGT MMCRRIs or payment of LMMCRR IGT Payments, including but not limited to the following circumstances:

(a) In the event that State DHCS, the Department of Health and Human Services or any other federal or state agency recoups, offsets, or otherwise withholds any monies from or fails to provide any monies to PLAN, or PLAN is denied any monies to which it otherwise would have been entitled, for any reason relating to the Medi-Cal managed care capitation rate range increases arising from the Intergovernmental Agreement as such increases flow through the Medi-Cal Agreement between PLAN and the State and this Agreement, including but not limited to (i) State DHCS' use of IGT MMCRRIs or LMMCRR IGT Payments to supplant or replace other amounts in violation of the restrictions in Section 2.2 of the Intergovernmental Agreement; (ii) the failure of the IGT MMCRRIs to qualify in whole or part for federal participation pursuant to 42 C.F.R. part 433, subpart B; or (iii) overpayment of IGT MMCRRIs to PLAN by State DHCS, PLAN shall have a right to immediately recoup, offset or withhold any and all such amounts from payments otherwise due to PROVIDER. Recovery by PLAN pursuant to this section shall include, but not be limited to, reduction in future LMMCRR IGT Payments paid to PROVIDER in an amount equal to the amount of IGT MMCRRIs payments recovered from PLAN, or by reduction of any other amounts owed by PLAN to PROVIDER whether under this Agreement or any other agreements between the parties;

(b) PLAN shall pursue an appeal, a lawsuit, or any other available legal action to challenge any recoupment by State DHCS, the Department of Health and Human Services, or any other federal or state agency, that is not required by law, unless after consultation with PROVIDER and with good cause, PLAN determines that it is not in the best interest of PLAN and/or PROVIDER to do so;

(2) At PLAN's discretion, PROVIDER shall either provide or arrange for legal representation on PLAN's behalf or PLAN shall arrange for its own representation and be entitled to reasonable attorney's fees and costs from PROVIDER for such representation, in addition to any and all other relief to which PLAN may be entitled, including, but not limited to, the following circumstances:

(a) If any action at law, suit in equity, arbitration, or administrative action is brought against PLAN by State DHCS, the Department of Health and Human Services, any other federal or state agency or other individual or organization to: (i) enforce or interpret the IGT MMCRRIs or LMMCRR IGT Payments; or (ii) recoup, offset, or otherwise withhold any monies from PLAN relating to the IGT MMCRRIs or LMMCRR IGT Payments; or

(b) If PLAN brings any appeal, action at law, suit in equity, arbitration or administrative action against the State DHCS, the Department of Health and Human Services or any other federal or state agency to (i) enforce or interpret the IGT MMCRRIs or LMMCRR IGT

Payments; or (ii) in response to an action described in subparagraph (1)(a) or subparagraph (2)(a) above;

(3) If PLAN prevails in any appeal, action at law, suit in equity, arbitration, or administrative action against PROVIDER to enforce or interpret the IGT MMCRRIs or LMMCRR IGT Payments or to recoup, offset, or otherwise withhold any monies relating to the IGT MMCRRIs or LMMCRR IGT Payments, PLAN shall be entitled to reasonable attorney's fees and costs from PROVIDER; and

(4) In the event that PLAN believes that it is subject to any losses, claims, demands, liabilities, court costs, judgments or obligations to third parties which arise before the execution of this Agreement as a direct result of the parties' intention to enter into this Agreement or the terms of this Agreement, PLAN shall promptly notify PROVIDER of such belief. The parties will then negotiate, in good faith, the extent to which PROVIDER will provide indemnification. It is the parties' intention that PLAN not be substantially economically harmed as a result of its willingness to enter into this Agreement.

2. Term

The term of this Amendment shall commence on October 1, 2013 and shall terminate on September 30, 2016.

All other terms and provisions of said Agreement shall remain in full force and effect so that all rights, duties and obligations, and liabilities of the parties hereto otherwise remain unchanged; provided, however, if there is any conflict between the terms of this Amendment and the Agreement, then the terms of this Amendment shall govern.

SIGNATURES

LOCAL INITIATIVE HEALTH AUTHORITY FOR LOS ANGELES COUNTY, dba L.A.
CARE HEALTH PLAN:

By: _____ Date: _____

Jonathan Freedman
Chief Operations Officer

COUNTY OF LOS ANGELES:

By: _____ Date: _____

Mitchell H. Katz, M.D.
Director, Department of Health Services

HEALTH PLAN-PROVIDER AGREEMENT

DHS HOSPITAL SERVICES AGREEMENT FOR MEDI-CAL

AMENDMENT No. 2

This Amendment is made this ____ day of _____, by and between the Local Initiative Health Authority for Los Angeles County, doing business as L.A. Care Health Plan, a local government agency hereinafter referred to as "PLAN", and County of Los Angeles Department of Health Services on behalf of its owned and operated hospitals, hereinafter referred to as "PROVIDER".

RECITALS:

WHEREAS, PLAN and PROVIDER have previously entered into an Agreement effective April 1, 2015;

WHEREAS, Section 6.2 of such Agreement provides for amending such Agreement;

WHEREAS, PLAN has been designated as Los Angeles County's locally created health care service plan by the Los Angeles County Board of Supervisors. It is a public entity, created pursuant to Welfare and Institutions Code Sections 14087.38(b) and 14087.9605 and Los Angeles County resolution and ordinance. PLAN is licensed by the Department of Managed Health Care as a health care service plan under the California KnoxKeene Act (Health and Safety Code Sections 1340 et seq.). In the body of the Agreement, PLAN is known as "Healthplan;" however, for purposes of this amendment it shall be designated as described above.

WHEREAS, PROVIDER operates licensed general acute care hospitals and freestanding clinics which provide care to Medi-Cal beneficiaries and other residents of Los Angeles County. In the body of the Agreement, Provider is referred to as "DHS"; however, for purposes of this amendment, it shall be designated as described above. Further, for purposes sections 1.F of this amendment, PROVIDER shall refer to the hospitals and clinics owned by Provider.

WHEREAS, PLAN and PROVIDER desire to amend the Agreement to provide for base rate increases to PROVIDER with respect to services for Medi-Cal SPD enrollees of PLAN as a result of Medi-Cal managed care capitation rate amounts to PLAN funded in part by intergovernmental transfers ("IGTs"), pursuant to Section 14182.15 of the Welfare and Institutions Code, from the County of Los Angeles to the California Department of Health Care Services ("State DHCS") to help assure the availability of Medi-Cal health care services to Medi-Cal beneficiaries, including seniors and persons with disabilities ("SPD").

NOW, THEREFORE, PLAN and PROVIDER hereby agree as follows:

Section 7 of the Agreement is added to the Agreement and reads as follows:

7. SPD MEDI-CAL MANAGED CARE BASE RATE INCREASES

1. SPD Base Rate Increases to PROVIDER

A. Payment

Pursuant to subdivision (c) of Section 14182.15 of the Welfare and Institutions Code, should PLAN receive any SPD Medi-Cal Managed Care Rate Payments ("SPD MMCR Payments") from State DHCS, the nonfederal share of which is funded in any part by the County of Los Angeles specifically pursuant to the Intergovernmental Agreements Regarding Transfer of Public Funds, #13-90473 A-01 ("Intergovernmental Agreement") effective for the period October 1, 2013 through June 30, 2014, all of the provisions below shall apply.

(1) PLAN shall pay to PROVIDER, for services provided during the term of this Amendment, the rates for services set forth in Exhibit D and all of its subparts of this Agreement, which shall be no less than the rates in effect as of April 1, 2015, and based on final rates actually received by Plan from DHCS.

(2) PLAN shall pay to PROVIDER as "SPD Base Rate Increase Payments," a maximum amount of \$103,574,900 from the SPD MMCR Payments (net of the Health Plan Retention described in paragraph 1.B(1)) received from State DHCS, in accordance with paragraph 1.E below regarding the form and timing of Payments for services provided by the PROVIDER to Medi-Cal beneficiaries. Notwithstanding the DOFR applicable to this Agreement, and subject to the requirements in paragraph 1.F below, PROVIDER agrees to assign the funds received pursuant to this Amendment among the services set forth below in accordance with the proportions or amounts set by PLAN. These proportions or amounts will be determined by PLAN to represent a reasonable allocation of funds among the rendering providers. The service categories are:

- (a) Inpatient and Outpatient Facility Services
- (b) Physician/Practitioner Services
- (c) Freestanding Clinic Facility Services

Notwithstanding the foregoing, payments to PROVIDER and other providers by PLAN from SPD MMCR Payments (net of Health Plan Retention) for the relevant period shall be adjusted as appropriate to ensure that all such SPD MMCR Payments received by PLAN are distributed, and in no case shall exceed the total amount of SPD MMCR Payments. PLAN payments shall be based on actual SPD MMCR Payments included in the PLAN's monthly capitation payment or a lump-sum payment received from DHCS. SPD Base Rate Increase Payments paid to PROVIDER shall not replace or supplant any other amounts paid or payable to PROVIDER by PLAN.

PLAN's payment obligations under this section shall supersede and replace any payment obligation under the Agreement between PLAN and PROVIDER dated May 1, 2011 which relates to SPD Base Rate Increase Payments for the period October 1 2013 through June 30, 2014.

B. Health Plan Retention**(1) Medi-Cal Managed Care Seller's Tax**

The PLAN shall be responsible for any Medi-Cal Managed Care Seller's Tax (MMCS) due pursuant to Revenue and Taxation Code Section 6175 relating to any SPD MMCR Payments through June 30, 2014. If the PLAN receives any capitation rate increases described in paragraph (2) of subdivision (c) of Section 14182.15 of the Welfare and Institutions Code for which MMCS taxes apply based on the SPD MMCR Payments, PLAN may retain an amount equal to the amount of such MMCS tax that PLAN is required to pay to the State, and shall pay PROVIDER the SPD Base Rate Increase Payments (net of Health Plan Retention) from the remaining amount of the capitation rate increases as specified in paragraph 1.A consistent with Section 14182.15.

(2) PLAN will not retain any other portion of the SPD MMCR Payments received from the State DHCS other than those specified above.

C. Conditions for Receiving SPD Base Rate Increase Payments

As a condition for receiving SPD Base Rate Increase Payments, PROVIDER shall,

1. Maintain and make available to PLAN's Medi-Cal enrollees until at least December 31, 2015 :

- (a) Level 1 Trauma Centers at LAC+USC Medical Center and Harbor/UCLA Medical Center;
- (b) a basic emergency room at Olive View Medical Center
- (c) a burn unit at LAC+USC Medical Center.

2. PROVIDER will not exercise its rights to terminate the Hospital Services Agreement or the Participating Provider Agreement before December 31, 2015.

D. Schedule and Notice of Transfer of Non-Federal Funds

PROVIDER shall notify PLAN within five (5) days of the date of the transfer of funds to State DHCS pursuant to the Intergovernmental Agreement.

E. Form and Timing of Payments

PLAN agrees to pay SPD Base Rate Increase Payments to PROVIDER in the following form and according to the following schedule:

(1) PLAN agrees to pay the SPD Base Rate Increase Payments to PROVIDER using the same mechanism through which compensation and payments are normally paid to PROVIDER (e.g., electronic transfer).

(2) PLAN will pay the SPD Base Rate Increase Payments to PROVIDER no later than thirty (30) calendar days after receipt of the SPD MMCR Payments from State DHCS.

F. Consideration

(1) As consideration for the SPD Base Rate Increase Payments, PROVIDER shall use the SPD Base Rate Increase Payments for the following purposes and shall treat the SPD Base Rate Increase Payments in the following manner:

(a) The SPD Base Rate Increase Payments shall represent compensation for Medi-Cal services rendered to Medi-Cal PLAN members by PROVIDER during the State fiscal year to which the SPD Base Rate Increase Payments apply.

(b) To the extent that total payments received by PROVIDER for any State fiscal year under this Amendment exceed the cost of Medi-Cal services provided to Medi-Cal beneficiaries by PROVIDER during that fiscal year, any remaining SPD Base Rate Increase Payment amounts shall be retained by PROVIDER to be expended for health care services. Retained SPD Base Rate Increase Payment amounts may be used by the PROVIDER in either the State fiscal year for which the payments are received or subsequent State fiscal years.

(2) For purposes of subsection (1) (b) above, if the retained SPD Base Rate Increase Payments, if any, are not used by PROVIDER in the State fiscal year received, retention of funds by PROVIDER will be established by demonstrating that the retained earnings account of PROVIDER at the end of any State fiscal year in which it received payments based on SPD Base Rate Increase Payments funded pursuant to the Intergovernmental Agreement, has increased over the unspent portion of the prior State fiscal year's balance by the amount of SPD Base Rate Increase Payments received, but not used. These retained PROVIDER funds may be commingled with other County funds for cash management purposes, provided that such funds are appropriately tracked and only the depositing facility is authorized to expend them.

(3) Both parties agree that none of these funds, either from the County of Los Angeles or federal matching funds will be recycled back to the County general fund, the State, or any other intermediary organization. Payments made by the health plan to providers under the terms of this Agreement or Amendment constitute patient care revenues.

G. PLAN's Oversight Responsibilities

PLAN's oversight responsibilities regarding PROVIDER's use of the SPD Base Rate Increase Payments shall be limited as described in this paragraph. PLAN shall request, within thirty (30) calendar days after the end of each State fiscal year in which SPD Base Rate Increase Payments were transferred to PROVIDER, a written confirmation that states whether and how PROVIDER complied with the provisions set forth in Paragraph 1.F above. In each instance, PROVIDER shall provide PLAN with written confirmation of compliance within thirty (30) calendar days of PLAN's request.

H. Cooperation Among Parties

Should disputes or disagreements arise regarding the ultimate computation or appropriateness of any aspect of the SPD Base Rate Increase Payments, PROVIDER and PLAN agree to work together in all respects to support and preserve the SPD Base Rate Increase Payments to the full extent possible on behalf of the safety net in Los Angeles County.

I. Reconciliation

Within one hundred twenty (120) calendar days after the end of each of PLAN's fiscal years in which SPD Base Rate Increase Payments were made to PROVIDER, PLAN shall perform a reconciliation of the SPD Base Rate Increase Payments transmitted to the PROVIDER during the preceding fiscal year to ensure that the supporting amount of SPD MMCRs were received by PLAN from State DHCS. PROVIDER agrees to return to PLAN any overpayment of SPD Base Rate Increase Payments made in error to PROVIDER within thirty (30) calendar days after receipt from PLAN of a written notice of the overpayment error, unless PROVIDER submits a written objection to PLAN. Any such objection shall be resolved in accordance with the dispute resolution processes set forth in Section 6.3 of the Agreement. The reconciliation processes established under this paragraph are distinct from the indemnification provisions set forth section 6.4 of the Agreement. PLAN agrees to transmit to the PROVIDER any underpayment of SPD Base Rate Increase Payments within thirty (30) calendar days of PLAN's identification of such underpayment.

J. Indemnification

(1) PROVIDER shall indemnify and hold PLAN harmless against any losses, claims, demands, liabilities, court costs, judgments and expenses, imposed by a court or otherwise incurred by PLAN after the execution date of this Agreement as a result of PLAN's receipt of SPD MMCR payments or payment of SPD Base Rate Increase Payments, including but not limited to the following circumstances. This indemnification obligation replaces the indemnification requirements set forth in Section 6.4 of the Agreement for losses, claims demands, liabilities, court costs, judgments and expenses imposed by a court or otherwise incurred by PLAN after the execution date of this Agreement as a result of PLAN's receipt of SPD MMCR payments or payment of SPD Base Rate Increase Payments:

(a) In the event that State DHCS, the Department of Health and Human Services or any other federal or state agency recoups, offsets, or otherwise withholds any monies from or fails to provide any monies to PLAN, or PLAN is denied any monies to which it otherwise would have been entitled, for any reason relating to the SPD MMCR paid in any part though the Intergovernmental Agreement as such increases flow through the Medi-Cal Agreement between PLAN and the State and this Agreement, including but not limited to (i) State DHCS' use of SPD MMCR payments or SPD Base Rate Increase Payments to supplant or replace other amount in violation of the restrictions in Section 2.2 of the Intergovernmental Agreement; (ii) the failure of the SPD MMCR payments to qualify in whole or part for federal participation pursuant to 42 C.F.R. part 433, subpart B; or (iii) overpayment of SPD MMCR payments to PLAN by State DHCS, PLAN shall have a right to immediately recoup, offset or withhold any and all such amounts from payments otherwise due to PROVIDER. Recovery by

SB 208 IGT B – LA County and Health Plan Agreement (L.A. Care)

PLAN pursuant to this section shall include, but not be limited to, reduction in future SPD Base Rate Increase Payments paid to PROVIDER in an amount equal to the amount of SPD MMCR payments recovered from PLAN, or by reduction of any other amounts owed by PLAN to PROVIDER;

(b) PLAN shall pursue an appeal, a lawsuit, or any other available legal action to challenge any recoupment by State DHCS, the Department of Health and Human Services, or any other federal or state agency, that is not required by law, unless after consultation with PROVIDER and with good cause, PLAN determines that it is not in the best interest of PLAN and/or PROVIDER to do so;

(2) At PLAN's discretion, PROVIDER shall either provide or arrange for legal representation on PLAN's behalf or PLAN shall arrange for its own representation and be entitled to reasonable attorney's fees and costs from PROVIDER for such representation, in addition to any and all other relief to which PLAN may be entitled, including, but not limited to, the following circumstances:

(a) If any action at law, suit in equity, arbitration, or administrative action is brought against PLAN by State DHCS, the Department of Health and Human Services, any other federal or state agency or other individual or organization to: (i) enforce or interpret the SPD MMCR payments or SPD Base Rate Increase Payments; or (ii) recoup, offset, or otherwise withhold any monies from PLAN relating to the SPD MMCR payments or SPD Base Rate Increase Payments; or

(b) If PLAN brings any appeal, action at law, suit in equity, arbitration or administrative action against the State DHCS, the Department of Health and Human Services or any other federal or state agency to (i) enforce or interpret the SPD MMCR payments or SPD Base Rate Increase Payments; or (ii) in response to an action described in subparagraph I(1)(a) or subparagraph (2)(a) above:

(3) If PLAN prevails in any appeal, action at law, suit in equity, arbitration, or administrative action against PROVIDER to enforce or interpret the SPD MMCR payments or SPD Base Rate Increase Payments or to recoup, offset, or otherwise withhold any monies relating to the SPD MMCR payments or SPD Base Rate Increase Payments, PLAN shall be entitled to reasonable attorney's fees and costs from PROVIDER; and

(4) In the event that PLAN believes that it is subject to any losses, claims, demands, liabilities, court costs, judgments or obligations to third parties which arise before the execution of this Amendment as a direct result of the parties' intention to enter into this Amendment or the terms of this Amendment, PLAN shall promptly notify PROVIDER of such belief. The parties will then negotiate, in good faith, the extent to which PROVIDER will provide indemnification. It is the parties' intention that PLAN not be substantially economically harmed as a result of its willingness to enter into this Amendment.

2. Term

Understanding that the service period to which this Amendment relates begins October 1, 2013 and continues through June 30, 2014, the parties agree that the term of this Amendment shall commence on October 1, 2013 and shall terminate on September 30, 2016.

All other terms and provisions of said Agreement shall remain in full force and effect so that all rights, duties and obligations, and liabilities of the parties hereto otherwise remain unchanged; provided, however, if there is any conflict between the terms of this Amendment and the Agreement, then the terms of this Amendment shall govern.

SIGNATURES

LOCAL INITIATIVE HEALTH AUTHORITY FOR LOS ANGELES COUNTY, d.b.a. L.A.

CARE HEALTH PLAN

By: _____ Date: _____
Jonathan Freedman
Chief Operations Officer

COUNTY OF LOS ANGELES

By: _____ Date: _____
Mitchell H. Katz, M.D.
Director, Department of Health Services